

California Debt Limit Allocation Committee

Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

September 18, 2013
Meeting Minutes

OPEN SESSION

1. **Call to Order and Roll Call**

Michael Paparian, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 11:04 a.m.

Members Present: Michael Paparian for Bill Lockyer, State Treasurer
Jennifer Rockwell for Edmund G. Brown, Jr., Governor
Alan Gordon for John Chiang, State Controller

Advisory Members Present: Tim Hsu for the California Housing Finance Agency (CalHFA)
Laura Whittall-Scherfee for the Department of Housing and Community Development (HCD)

2. **Approval of the Minutes of the July 17, 2013 Meeting** (Action Item)

Alan Gordon moved approval of the minutes from the July 17, 2013 meeting. Upon a second by Jennifer Rockwell, the minutes passed 3–0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

3. **Executive Director's Report** (Informational Item)

Sean Spear began his report by notifying the Committee Members about changes to some of the documents in the Agenda packet. The first revision is on a blue sheet which is the revised Agenda reflecting that Sarah Lester will present Item 4 and, as reported earlier, that Item 5 was struck and may be considered at the November meeting. The next revision is to Exhibit A removing Item 9.3 (700 Block Apartments). Mr. Spear then stated that Item 9.10 should be struck as well. CDLAC received the withdrawal at the last minute. That item may also come back for the November Meeting. For the record, the Members will need to state that when a motion is considered later in the meeting.

Alan Gordon asked if Item 9.10 was Peppertree Senior Apartments.

Mr. Spear stated that was correct.

Mr. Spear reported that the change is also reflected on the pink sheet which is the List of Applications to be considered today, and the withdrawn application is Peppertree Senior Apartments # 13-071.

Mr. Spear briefly discussed the Allocation Status Report. This reflects that, at the end of this meeting if the later items are approved, there will be approximately \$3.1 billion in Allocation remaining. For the last two Committee Meetings of this year, the projected allocation is an additional \$200,000 which would leave approximately \$2.9 billion remaining at year end.

As has been done in previous years, a survey will be sent to the Multifamily Issuers to see how much in potential carry-forward they may be willing to accept at year-end, as well as consulting with colleagues in the other Boards Commissions and Authorities (BCAs) to see if any are interested in taking some carry-forward allocation. The recommendations for carry-forward allocation will be presented at the December meeting.

Mr. Spear mentioned that CDLAC is considering whether or not to have an Allocation round for January on the 2014 meeting schedule. Normally the January meeting is just an Administrative meeting during which the Volume Cap is accepted and distributed amongst the different programs. If Project Sponsors or Issuers identify time sensitive or critical projects that would require allocation in January, as opposed to waiting until the March meeting, staff is requesting that those Project Sponsors or Issuers notify CDLAC within the next week or so.

CDLAC anticipates posting the 2014 meeting schedule along with a decision on whether or not there will be an Allocation round in January. That memo will likely be posted within a week or so afterwards.

4. Consideration and Approval of an Issuance Date Extension for Various Projects – Qualified Residential Rental Program (QRRP) (Action Item)

<u>App.</u>	<u>Project</u>
13-047	Plaza Mendoza Apartments

Sarah Lester reported that the Applicant requested a thirty (30) day issuance date extension for one (1) awarded QRRP project; relating to receiving a HOME funding confirmation letter from the City of Fresno. There is no RDA involvement here.

RECOMMENDATION:

Staff recommended the approval of the following issuance date extensions:

13-047	Plaza Mendoza Apartments	December 18, 2013
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Alan Gordon moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

5. ~~Consideration and Approval of a Revised Resolution 09-93 for the Emerald Cove Senior Apartments Project (09-117) – Qualified Residential Rental Program~~ (Action Item)

This item was postponed until the November meeting pending receipt of additional information requested by CDLAC and the Tax Credit Allocation Committee (TCAC).

6. Consideration and Approval of a Waiver of Penalties for the Park Village Apartments (12-142 & 13-020) Qualified Residential Rental Program (Action Item)

Richard Fischer reported that the Project Sponsor had to get a Carry-forward Extension from CDLAC, and thus had to surrender their performance deposit. This was due to the project being significantly delayed in securing a final HUD approval for the conversion of the existing Section 8 Contract. The delay was not due to any action of the Project Sponsor.

RECOMMENDATION:

In light of the circumstances described, staff recommended the approval of the Waiver of Penalties for Park Village Apartments (12-142 & 13-020).

Jennifer Rockwell stated that the discussion in the Agenda packets was very detailed and extremely helpful in understanding this item.

Alan Gordon stated that the same holds true for Item 4.

Alan Gordon moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Projects and Awards of Allocation (Action Item)

a. Consideration of appeals

Richard Fischer stated that there are no appeals.

b. Consideration of applications

Mr. Fischer reported that the Committee received one (1) application requesting an Exempt Facility allocation for a total of \$235,000,000 for the issuance of a tranche of private activity bonds for their State Public Works Bond Capital Improvements Program. The private activity bond tranche is part of an overall \$2.5 Billion refunding bond issuance by the University of California.

This approval will require the Committee to first transfer \$235,000,000 in allocation from the Undesignated/Reserve Pool into the Exempt Facility Pool.

RECOMMENDATION:

Staff recommended transferring \$235,000,000 in allocation from the undesignated reserve pool to the Exempt Facility Pool and recommended approval of \$235,000,000 to fund one (1) application in the Exempt Facility Program as noted above.

Alan Gordon moved approval of staff's recommendation as described by Mr. Fischer. Upon a second, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

Michael Paparian stated that this action will save the University of California some funds.

Jennifer Rockwell stated that this action will be very helpful in the overall transaction of the University restructuring its debt.

8. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing Programs and Awards of Allocation (Action Item)

a. Consideration of appeals

Sarah Lester stated that there are no appeals.

b. Consideration of applications

Ms. Lester reported that the Committee received three (3) applications requesting their 2013 Fair Share Single Family Housing allocations for a total of \$21,884,480, all for the issuance of Mortgage Credit Certificates under their respective single-family homeownership programs.

RECOMMENDATION:

Staff recommended approval of \$21,884,480 (the calculated fair-share amount) to fund three (3) programs in the Single Family Housing Program as noted above.

Alan Gordon moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

8.1	13-079	SL	County of Ventura	N/A	Various	Ventura	\$5,526,816
8.2	13-080	SL	Mayor's Office of Housing and Community Development - City and County of San Francisco	N/A	San Francisco	San Francisco	\$5,391,249
8.3	13-081	CA	County of San Diego	N/A	Various	San Diego	\$10,966,415

9. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects, \$30 million Maximum Allocation Limit Waivers, and Awards of Allocation (Action Item)

a. Consideration of appeals

Sarah Lester stated that there are no appeals.

b. Consideration of applications

Ms. Lester reported that this item will need a two-part voting action by the Committee. The first action would be on the request for a waiver to exceed the \$30 million maximum allocation amount for Meadowbrook Apartments, and the second action would be the approval of all the listed projects.

Jennifer Rockwell asked if this action is off of the list that was just revised during the meeting as one project had been previously withdrawn and Peppertree Senior Apartments was removed from the list during the meeting.

Sarah Lester replied that was correct.

Sean Spear stated that in the Board's motion for approval, it should be stipulated that all projects as found on the list with the exception of the Peppertree project should be read into the record.

Ms. Lester further reported that there is one (1) project that does not have a U.S. Department of Housing and Urban Development (HUD) firm commitment, but the project does have a HUD "Comfort" letter. HUD has exhausted its Federal Housing Administration (FHA) commitments for the current fiscal year; therefore, it cannot issue any commitments until a Federal Resolution is passed by Congress for the 2014 fiscal year. HUD assured staff that the project is otherwise ready to move forward and it expects to issue the firm commitment once Congress has taken action.

Alan Gordon moved approval of staff's recommendation to allow Meadowbrook Apartments to exceed the \$30 million cap for application #13-074. Upon a second, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Papanian: Aye.

General Pool

The General Pool received twenty-four (24) complete applications for projects requesting a total allocation of \$320,334,555; two of which were requests for a HUD Forward Commitment Letter (and may be heard at a later date), and another two (2) of which were later withdrawn (but may be heard in November). Three (3) projects that previously-received HUD Forward Commitment Letters from CDLAC Staff have recently received their HUD Firm Commitment approvals and are now ready to be heard by the Committee for an award of allocation at this time

RECOMMENDATION:

Staff recommended approval of \$263,504,195 to fund twenty-one (21) projects in the General Pool.

Alan Gordon moved approval of the revised list minus Peppertree Senior Apartments. Upon a second, the motion passed 3 – 0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Papanian: Aye.

Mr. Papanian asked if there were any further questions from the Board or any public comment.

Brian Muszynski of Steel Properties stated that his project was the one dealing with the Federal government shutdown problem. He wanted to thank the Board for their flexibility in working with his company on this project, and he is confident that the project will close.

9.1	13-027	SL	City and County of San Francisco	Tenderloin Family Housing Apartments	San Francisco	San Francisco	\$22,000,000
9.2	13-031	CA	Housing Authority of Oakland	460 Grand Avenue Apartments	Oakland	Alameda	\$19,879,000
9.4	13-054	CA	California Municipal Finance Authority	Village Grove Apartments	Escondido	San Diego	\$15,700,000
9.5	13-063	RF	Housing Authority of the City of San Diego	COMM22 Senior Housing Apartments	San Diego	San Diego	\$15,500,000
9.6	13-067	CA	Housing Authority of the County of Kern	Rio Vista Apartments	Bakersfield	Kern	\$4,000,000
9.7	13-068	CA	Housing Authority of the County of Kern	Rancho Algodon Apartments	Delano	Kern	\$4,100,000
9.8	13-069	RF	California Statewide Communities Development Authority	Campina Court Apartments	La Mesa	San Diego	\$5,500,000

9.9	13-070	LC	Housing Authority of Sacramento County	South Sacramento Mutual Housing Apartments (Greenway, Los Robles, Glen Ellen)	Sacramento	Sacramento	\$16,000,000
9.11	13-074	RF	California Municipal Finance Authority	Meadowbrook Apartments	San Diego	San Diego	\$50,000,000
9.12	13-076	SL	California Municipal Finance Authority	Berkeley Scattered Site Housing Apartments	Berkeley	Alameda	\$18,500,000
9.13	13-077	LC	California Municipal Finance Authority	Strawberry Creek Lodge Apartments	Berkeley	Alameda	\$11,325,000
9.14	13-078	LC	City of Los Angeles	Hollywoodland Apartments	Los Angeles	Los Angeles	\$10,500,000
9.15	13-082	LC	City and County of San Francisco	Western Park Apartments Supplemental	San Francisco	San Francisco	\$5,000,000
9.16	13-083	RF	Housing Authority of the County of Los Angeles	Santa Monica RHCP Apartments	Santa Monica	Los Angeles	\$4,500,000
9.17	13-084	RF	Housing Authority of the County of Los Angeles	Villa Nueva RHCP Apartments	Los Angeles	Los Angeles	\$2,300,000
9.18	13-085	LC	California Statewide Communities Development Authority	Arbor Terrace Apartments	Colton	San Bernardino	\$14,000,000
9.19	13-086	SL	California Municipal Finance Authority	Sonoma Court Apartments	Escondido	San Diego	\$7,200,000
9.20	13-087	SL	California Municipal Finance Authority	Holly Court Housing Apartments	West Sacramento	Yolo	\$4,000,000
9.21	13-088	LC	California Municipal Finance Authority	Covenant Manor Apartments	Long Beach	Los Angeles	\$15,000,000
9.22	13-090	LC	California Municipal Finance Authority	Eden House Apartments	San Leandro	Alameda	\$12,310,000
9.23	13-094	CA	California Statewide Communities Development Authority	Rocky Hill Apartments	Vacaville	Solano	\$6,190,195

10. Consideration and Adoption of the Qualified Residential Rental Program Minimum Point Thresholds and Non-Competitive Application Process for the 2014 Program Year (Action Item)

Misti Armstrong reported that due to the elimination of Redevelopment Agency Project Areas and the State Enterprise Zones (effective 1/1/2014), there are now only limited opportunities for Applicants to take advantage of the Community Revitalization Area ("CRA") point category. Although the Redevelopment Project Area criteria and the Enterprise Zone criteria are only two of the original six qualifying criteria options for the CRA point category, these two criteria were used by 94% of the projects scoring points in the category for the two years prior to the final elimination of redevelopment agencies in early 2012. Moreover, less than 8% of the projects awarded allocation in 2012 scored points in this category; compared to 20% in 2010 and 16% in 2011.

The 2013 minimum point thresholds are sixty (60) points in the General Pool and Rural Pool, and fifty (50) points in the Mixed Income Pool. Staff recommended reduced minimum point thresholds for 2014 as follows: fifty-five (55) points in the General Pool and Rural Pool and forty-five (45) points in the Mixed Income Pool. Staff believes that a point threshold reduction of 5 points will assist those projects that would have previously benefited from the CRA category while still encouraging Applicants to seek public benefit points in other available elective categories.

Staff also recommended that the Committee approve and maintain an open application process for the 2014 Qualified Residential Rental Program (QRRP) year. This recommendation is made on the basis that the QRRP pool continues to be non-competitive in 2013 and is expected to be non-competitive for the 2014 program year.

RECOMMENDATION:

Staff recommended the approval of minimum point thresholds as noted, and an open application process for the Qualified Residential Rental Program for 2014.

Alan Gordon moved approval of staff's recommendation. Upon a second, the motion passed 3 – 0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

11. Public Comment (Action Item)

There was no public comment.

12. Adjournment

The Chairperson adjourned the meeting at 11:20 a.m.